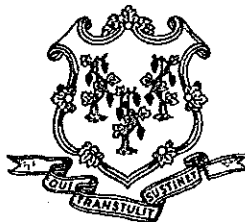


SENATOR MARTIN M. LOONEY
MAJORITY LEADER

Eleventh District
New Haven & Hamden



State of Connecticut
SENATE

State Capitol
Hartford, Connecticut 06106-1591
132 Fort Hale Road
New Haven, Connecticut 06512
Home: 203-468-8829
Capitol: 860-240-8600
Toll-free: 1-800-842-1420
www.SenatorLooney.cga.ct.gov

March 2, 2011

Good morning Senator Cassano, Representative Gentile and members of the Planning and Development Committee. I am here to testify in support of SB 130, An Act Concerning Land Value Taxation, as well as in support of the various regionalism and smart growth initiatives raised by the Committee and proposed by the Governor..

SB 130 would allow municipalities to institute Land Valuation Taxation, thus permitting them to tax vacant parcels at a higher rate than structures. Land Value Taxation separates the tax on real property into two components: land values and building values. Under this system the tax rate is increased on the land and decreased on the buildings. This approach provides an incentive to develop densely and compactly while discouraging sprawl.

Land Value taxation supports the objectives of Smart Growth and can encourage development and discourage blight. This approach should increase property value in the core cities as well as discourage uncontrolled development; it has been successful in

other states. Adoption of this proposal would also assist municipalities in increasing revenue while providing incentives for economic development and disincentives for leaving parcels undeveloped.

I am delighted that the Planning and Development Committee and the Governor have raised a number of enlightened proposals that support regionalism.

HB No. 5782 AN ACT CONCERNING THE HOTEL TAX would increase the hotel tax by three per cent and distribute these funds by returning one per cent to the municipality in which the hotel is located; one per cent to the economic development district of that municipality ; and one per cent to the tourism district of that municipality. The governor's budget, similarly, includes an additional 1% tax on hotels which would be returned to the town of origin and provides additional measures to boost the municipal and regional tax base. These proposals would allow towns to recoup revenue from those who use municipal services but who do not reside in the municipality.

HB 6100, AN ACT CONCERNING REGIONAL PROPERTY TAX REVENUE SHARING, would promote regional economic development by establishing a shared commitment to economic growth rather than competition between towns within a region. This legislation would require regional economic development districts to include in any updated comprehensive economic development strategy a provision for regional property tax revenue sharing for new developments. This should encourage economic efficiency

and cost effectiveness. The Governor's budget also provides new incentives for voluntary regional planning consolidation, and I am confident that the governor and the General Assembly will succeed in finding to find regional solutions to our municipal funding problems.

SB 496, AN ACT CONCERNING A MUNICIPAL TAX REVENUE SHARING SYSTEM, would create a system of shared property tax revenue that would pool a portion of municipal property taxes generated by new commercial, industrial or research development . This concept is based on the Minnesota Tax-Base Sharing Plan. Municipalities in the Minneapolis-St. Paul region share property tax revenue in order to reduce the fiscal disparity between cities and their surrounding suburbs. The disparity arises from the fact that cities usually have little or no undeveloped land with which to attract new, taxable development, while their outlying suburbs and rural areas have significant parcels of undeveloped land. Municipalities within the region would contribute a percentage of the growth in their commercial and industrial tax base to an areawide pool. Each municipality then receives a portion of the pool based on its population and relative fiscal capacity. This system would be beneficial for the economic stability of our state. In Minnesota the system in effect for more than three decades has produced many benefits, including reducing counterproductive winner-take-all competition for economic development initiatives among neighboring communities.